COMMITTEE ON FINANCE
NEWS RELEASE

Max Baucus, Chairman
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FINANCE PANEL TO TAKE UP FAA, HIGHWAY TRUST FUNDS

Legislation will fund satellite system for air traffic, fill holes in highway and bridge fund

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) announced today that the panel will consider legislation reauthorizing the Airport and Airway Trust Fund (AATF) and funding repair of America's bridges and roads on **Thursday, September 20,** at **4:00 p.m.** in **Dirksen Senate Office Building Room 215.** The Chairman's Mark will reauthorize the AATF through 2011, adding approximately $400 million each year to fund the satellite-based NextGen air traffic system. Baucus also intends to fill 2009 shortfalls of approximately $5 billion in the Highway Trust Fund, which is necessary to ensure vital funds for bridge and road repair.

"Americans should be able to travel across the country safely and efficiently, whether they fly or drive. Both the air and highway trust funds need an infusion of cash now to ensure the safety and ease of every traveler," said Baucus. **"This is a fiscally responsible effort to make our skies, bridges, and roadways safer today and in the future."**

The NextGen system will make air travel safer and reduce delays for millions of airline passengers. In addition to reauthorizing the AATF, the Chairman's Mark dedicates funding for this modernization of the air traffic control system. Approximately $250 million of the additional $400 million in funds will come from General Aviation, or private jets, with the rest provided through commercial carriers.

General Aviation: The Chairman's Mark increases the General Aviation jet fuel tax from the current 21.8¢/gallon to 36¢/gallon. This will provide approximately $203 million per year over the four-year AATF reauthorization.

Fractionals: Fractionals are partially (fractionally) owned aircraft, with parties owning shares of a plane. The Chairman's Mark would classify fractionals as General Aviation jets for fuel tax purposes. At the same time, the Mark would repeal the 7.5% ticket tax to which fractionals are subject, and replace it with a departure tax of $58 per flight. These proposals will provide approximately $54 million per year over the four-year AATF reauthorization.

Airlines: The mark raises commercial carriers' share of NextGen funding by approximately $170 million per year, through two means:

- **International Departure/Arrival Tax:** For 2007, international air passenger transportation is subject to a tax of $15.10 per arrival or departure if the transportation begins or ends in the U.S. Under the Chairman's Mark, the tax on international departures and arrivals would be $16.50 each way. That figure would be indexed. This change will provide approximately $135 million per year over the four-year period of the AATF reauthorization bill.

- **Tax on Domestic Segments of International Flights:** Fuel used in an international flight is not subject to the 4.3¢/gallon commercial fuel tax, even if that flight includes domestic stops prior to leaving U.S. airspace. The Chairman's Mark would subject fuel consumed during wholly domestic segments of an international flight to the commercial aviation rate of 4.3 cents per gallon. This proposal would raise approximately $37 million per year over the four-year AATF reauthorization.

Baucus's Chairman's Mark also addresses looming shortfalls in the Highway Trust Fund. This month, the Congressional Budget Office projected that the highway trust fund would face a 2009 shortfall of $4.3 billion, with further shortfalls in 2010 and beyond. New and necessary funds to repair America's bridges will increase the 2009 shortfall to approximately $5 billion. The Chairman's Mark will ensure the solvency of the Highway Trust Fund through 2009, as follows:

Replenishing Emergency Spending from Highway Trust Fund: Since 1998, more than $3.3 billion has been spent from the Highway Trust Fund to respond to emergencies such as the September 11 attacks and several hurricanes. Unforeseen expenses as a result or terrorism or natural disasters should more appropriately be met by the General Fund. The proposal would replenish the Highway Trust Fund with a total of $3.4 billion.

Suspending of Transfers from Highway Trust Fund for Certain Repayments and Credits. Under present law, transfers are made from the Highway Trust Fund into the General Fund relating to amounts paid with regard to gasoline used on farms, used for some non-highway purposes or by local transit systems, relating to fuels not used for taxable purposes, and income tax credits for certain uses of fuels. The provision will discontinue these payments from the Highway Trust Fund for a limited time.

Fuel Fraud Provisions. The Energy Advancement and Investment Act of 2007 approved by the Finance Committee in June contained several provisions to improve tax law compliance, including the taxation of tax finished gasoline at the refinery gate, the imposition of an excise tax on certain removals of taxable fuels from foreign trade zones, and treatment of qualified alcohol fuel mixtures as taxable fuel, among others. Enactment of these anti-fraud provisions will provide at least $1 billion in new funding to the Highway Trust Fund.

The General Fund costs of the Chairman's Mark are fully offset as follows:

Increasing and Extending the Oil Spill Liability Trust Fund Tax. The Energy Advancement and Investment Act of 2007, contained a provision to increase the oil spill tax from five cents a barrel to 10 cents, effective for the first quarter that begins 60 days after date of enactment and sunset 12/31/2017. Enactment of this provision will provide $2.8 billion to offset costs.

Corporate Inversions. Companies manipulating the U.S. worldwide tax system have avoided paying U.S. corporate income tax by setting up post office drops in tax haven countries. The American Jobs Creation Act taxing these "corporate inversions" applied to inversions occurring after March 4, 2003. The proposal would move the effective date back to March 20, 2002 – the date Senator Baucus and Senator Chuck Grassley (R-Iowa) publicly stated that companies entering into these transactions were doing so at their own peril. This provision will provide $1.3 billion to offset costs.

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